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NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF BALANCES OF THE NATIONAL ECONOMY (MPS)

Note by the Secretary-General

1. The Secretary-General has the honour to transmit herewith the report of the secretariat of the Council for Mutual Economic Assistance (CMEA) on the activities of the CMEA Standing Commission for Co-operation in the Field of Statistics with respect to the System of Balances of the National Economy (MPS) and related issues (see annex). The Commission may wish to comment on that report.

2. The Secretary-General wishes to bring to the attention of the Statistical Commission the fact that the Commission at its twenty-fifth session, in 1989, had before it a note by the Secretary-General (E/CN.3/1989/5) transmitting to the Commission the report of the secretariat of CMEA on developments in the System of Balances of the National Economy (MPS) of countries members of CMEA. The Commission requested that any elaboration of MPS considered by the CMEA expert group meeting in 1989 be reported to the Commission at its twenty-sixth session. 1/

Notes

1/ Official Records of the Economic and Social Council, 1989, Supplement No. 3 (E/CN.3/1989/25), para. 58 (b).

* E/CN.3/1991/1 and Corr.1.

READEX FICHE

Annex

ACTIVITIES OF THE CMEA STANDING COMMISSION FOR CO-OPERATION IN THE FIELD OF STATISTICS WITH RESPECT TO THE SYSTEM OF BALANCES OF THE NATIONAL ECONOMY (MPS) AND RELATED ISSUES

Report of the Council secretariat

1. The purpose of this report is to provide concise information on the main results of the activities of the CMEA Standing Commission for Co-operation in the Field of Statistics (SCCS) with respect to problems of the System of Balances of the National Economy (MPS) and related issues during the period 1989-1990. During that period, attention was focused on the development of a unified methodology for the computation of gross domestic product (GDP) by CMEA member countries and on the removal of some "incidental disparities" between MPS and the System of National Accounts (SNA) in the treatment of selected items of output, input, income and expenditure. In addition, the international comparison of the CMEA countries' major MPS aggregates (national income, total consumption of the population, public labour productivity and so forth) for 1988 was completed during the period. The comparison was carried out on the basis of purchasing power parities. A more detailed description of SCCS activities in relation to MPS is given below.

2. Work on the unified methodology for computing GDP in the CMEA countries was initiated in 1988. The purpose of the work is to provide a basis for the collection and publication by CMEA of internationally comparable data relating to the GDP of CMEA member countries and also to help interested CMEA member countries to adjust and develop their statistics in this area.

3. The methodology of computing GDP in the CMEA countries is intended to be an adaptation of the United Nations SNA to the peculiarities of the economies of CMEA countries during the transition to market relations and also to the peculiarities of their statistics. The methodology also relies on the CMEA-approved document dealing with MPS compilation (especially as regards material flows and the corresponding components, for example definition of the gross output of the branches of material production).

4. The first draft methodology was discussed at the meeting of statistical experts from CMEA member countries, which was held in Moscow in December 1989. Representatives of the Statistical Office of the United Nations Secretariat participated in the meeting.

5. The outcome of the discussion of the first draft of the CMEA secretariat document was reflected in the second draft, which also took into account the materials pertaining to the United Nations review of the SNA (draft chapters of the revised SNA). Those materials have made it possible to clarify some definitions of economic production, the treatment of illegal activities, the contents and classifications of final consumption of the population, exports and imports and other components of GDP. At the same time, some proposals formulated in the draft of the revised SNA have still to be reflected in the CMEA material. This is due in

part to difficulties in co-ordinating work on related topics at the United Nations and at CMEA and in part to a degree of uncertainty about some items of the revised SNA and the form they will take in its final version.

6. It is also worth noting that, since the CMEA document is to relate to the immediate future, it should take into account the extent to which it is feasible for countries to collect primary data. It should be borne in mind that at least some CMEA countries will in the immediate future use for economic analysis both the traditional MPS aggregates (national income, material consumption of households, real income of the population, etc.) and the unfamiliar SNA aggregates (GDP, GNP etc.).

7. It is therefore essential to ensure a degree of co-ordination and the harmonization of the methodology used in computing the aforementioned SNA and MPS aggregates. Otherwise, possible discrepancies in the estimates of economic performance and structural changes obtained on the basis of the SNA and MPS aggregates will cloud the understanding of economic processes and undermine public trust in statistical data. In other words, it is essential that the SNA and MPS aggregates supplement, not contradict, each other.

8. The second draft of the methodology for computing GDP in the CMEA countries is to be discussed at the meeting of statistical experts from the CMEA countries scheduled to be held early in 1991 in Moscow. The participation of United Nations representatives and of many international economic organizations is expected. Discussion of the document should help resolve a number of questions that remain open because agreement on them was not possible by correspondence. The work is expected to continue in 1991 and 1992, since certain aspects of the methodology require further development, for example the elaboration of final consumption classifications and of the scheme of standard tables and accounts, together with matters of detail relating to the computation of GDP in constant prices.

9. The continuation of the work in 1991 and 1992 will enable the CMEA document to be brought into line with the revised SNA wherever possible and desirable.

10. In accordance with the recommendations of the United Nations Expert Group on the Reconciliation of SNA/MPS Standards on National Accounting (Moscow, 4-9 December 1989), the Statistical Division of CMEA has drafted specific proposals designed to clarify the MPS text and, specifically, to eliminate so-called incidental differences between the two systems in the treatment of selected items of output, input, expenditure and income, including methods of computing the expenditures of residents abroad and foreigners in the given country, methods of computing the output of public catering establishments, the treatment of tips and the value of scrap collected and sold by households. There can be no doubt that unifying the methodology for reflecting these items will facilitate co-ordination of SNA and MPS, although it will not solve all the related problems. These questions will also be proposed for discussion at the meeting of statistical experts from the CMEA countries to be held in early 1991. It is expected that there will be an exchange of views at the meeting concerning the CMEA countries' intentions with regard to the use of SNA and MPS.

11. The international comparison of the major MPS aggregates of many CMEA countries for 1988 data was complete by the end of 1990. The results of the comparison were discussed at the meeting of statistical experts from CMEA countries and then approved by SCCS in accordance with its normal procedure. For the first time in the history of CMEA, the results of the comparison will be released for wide dissemination.